

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH KENTUCKY RURAL)	
ELECTRIC COOPERATIVE CORPORATION OF)	
SOMERSET, KENTUCKY FOR AN ORDER)	CASE NO. 89-040
AUTHORIZING AN INCREASE IN ITS RETAIL)	
RATES APPLICABLE TO ALL CONSUMERS)	

O R D E R

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") filed an application on March 31, 1989 requesting an adjustment of rates to increase its annual operating revenues by \$2,100,629. South Kentucky is a consumer-owned rural electric cooperative engaged in the distribution sale of electric energy to approximately 41,000 customers in Adair, Casey, Clinton, Cumberland, Laurel, Lincoln, McCreary, Pulaski, Rockcastle, Russell, and Wayne counties.

No requests for formal intervention were received, and a hearing was scheduled for August 16, 1989. Members of the Commission's Staff filed testimony on June 30, 1989, and a settlement conference was held on July 27, 1989. As a result of the negotiations between South Kentucky and the Staff, a proposed settlement was reached. The settlement consists of a Settlement Agreement dated August 21, 1989, attached hereto as Appendix A. The Settlement Agreement provides that South Kentucky will be granted an increase in annual operating revenues of \$1,900,000.

Revenue requirements will be based on a 2.25 Times Interest Earned ("TIER") with all total margins in excess of a 2.0 TIER being used by South Kentucky to rotate capital credits to its members. After careful review of the proposed Settlement Agreement, the Commission is of the opinion and hereby finds that the Settlement Agreement strikes a reasonable compromise between the positions advocated by South Kentucky and the Staff. The Settlement Agreement will result in rates that are fair, just, and reasonable. The Settlement Agreement is in the public interest and should be accepted for rate-making purposes.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, attached as Appendix A, be and it hereby is incorporated into this Order as if fully set forth herein.


2. The terms and conditions set forth in the Settlement Agreement be and they hereby are adopted and approved.

3. The rates set forth in Appendix B to this Order, attached hereto and incorporated herein, be and they hereby are approved for service rendered on and after September 1, 1989.

4. South Kentucky shall file new tariffs setting forth the rates contained in Appendix B within 30 days from the date of this Order.

Done at Frankfort, Kentucky, this 30th day of August, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 89-040 DATED 8/30/89

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In the Matter of:

THE APPLICATION OF SOUTH KENTUCKY RURAL)
ELECTRIC COOPERATIVE CORPORATION OF)
SOMERSET, KENTUCKY FOR AN ORDER) CASE NO. 89-040
AUTHORIZING AN INCREASE IN ITS RETAIL)
RATES APPLICABLE TO ALL CONSUMERS)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 2/ day of August, 1989, by and between South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") of Somerset, Kentucky, and the Staff of the Public Service Commission ("PSC Staff").

WHEREAS, South Kentucky filed an application with the Public Service Commission on March 31, 1989 seeking authorization to increase its operating revenues by \$2,100,629; and

WHEREAS, PSC Staff filed testimony on June 30, 1989 recommending that South Kentucky's operating revenues be increased by \$1,749,842; and

WHEREAS, South Kentucky has requested that its revenue requirements be calculated on the basis of a 2.25 Times Interest Earned ("TIER") level (as hereinafter used in this Settlement Agreement, TIER is calculated by excluding Generating and Transmission Capital Credits); and

WHEREAS, PSC Staff has recommended that South Kentucky's revenue requirements be calculated on the basis of a 2.25 TIER level only if all earnings above a 2.0 TIER level are returned to

South Kentucky's members in the form of patronage capital credits;
and

WHEREAS, South Kentucky and PSC Staff met on July 27, 1989 to discuss their respective recommendations on revenue requirements and an appropriate TIER level.

NOW, THEREFORE, be it resolved that:

1. South Kentucky and PSC Staff mutually agree that all outstanding issues raised in their respective testimonies in this proceeding shall be resolved by this Settlement Agreement.

2. South Kentucky shall be authorized to increase its operating revenues by \$1,900,000 annually upon written acceptance of this Settlement Agreement by the Public Service Commission. South Kentucky and PSC Staff agree that new rates implementing this revenue increase will be effective with service rendered on and after September 1, 1989.

3. South Kentucky's revenue requirements will be based on a 2.25 TIER with all total margins in excess of a 2.0 TIER being used by South Kentucky to rotate capital credits to its members.

4. For purposes of determining South Kentucky's earnings and margins, reference will be made to South Kentucky's Annual Reports on file with the Public Service Commission. South Kentucky's Annual Reports will be adjusted to eliminate any cost that is not normally allowed by the Public Service Commission for rate-making purposes.

5. South Kentucky represents that it now has the authority and ability under its currently effective Equity Management Plan

to rotate capital credits to its members for all total margins earned in excess of a 2.0 TIER.

6. For as long as this Settlement Agreement is in effect and South Kentucky's revenue requirements are determined hereunder, South Kentucky acknowledges that it will be subject to financial monitoring by the PSC Staff and to facilitate that monitoring South Kentucky agrees to provide, upon reasonable notice, any financial statements necessary to assure the PSC Staff that refunds of Capital Credits are being administered in good faith in accordance with its Equity Management Plan.

7. South Kentucky recognizes and acknowledges its obligation to operate its system at the lowest possible cost consistent with the furnishing of adequate, efficient, and reasonable electric service and South Kentucky will act in good faith to take all reasonable steps necessary to comply with this obligation.

8. South Kentucky agrees to maintain its equity at or near the level achieved on December 31, 1988, the end of the test year utilized in South Kentucky's rate application.

9. South Kentucky may apply to the Public Service Commission for relief from the aforementioned obligations to retire capital credits when, due to circumstances beyond South Kentucky's control, the Rural Electrification Administration or the National Rural Utilities Cooperative Finance Corporation has suspended or discontinued advancing loan funds to South Kentucky.

10. South Kentucky will proceed with all diligent speed to obtain any requisite approvals from its Board of Directors,

creditors, and other persons necessary to implement the provisions of this Settlement Agreement, and to maintain said Agreement in full force and effect.

11. This Agreement is subject to the acceptance of and approval by the Public Service Commission. In the event this Settlement Agreement is not accepted and approved by the Public Service Commission, said Agreement shall become null and void and South Kentucky and PSC Staff shall not be obligated or bound by any of the terms or provisions contained herein.

AGREED TO BY:

SOUTH KENTUCKY RECC

By: *Keith Starn*
Title: *General Manager*

August 21, 1989
Date

PSC STAFF

By: *Richard G. Raff*
Title: *Staff Counsel*

August 11, 1989
Date

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-040 DATED 8/30/89

The following rates and charges are prescribed for the customers in the area served by South Kentucky Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

SCHEDULE A RESIDENTIAL, FARM AND NON-FARM SERVICE*

RATES PER MONTH:

Consumer Charge - No KWH Usage	\$5.60	Per Month
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Energy Charge:

First 700 KWH Per Month @	.06103 Per KWH
All over 700 KWH per Month	.05714 Per KWH

MARKETING RATE PER MONTH:

ETS usage, all KWH per month	0.034284
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SCHEDULE B SMALL COMMERCIAL RATE*

RATES PER MONTH:

Consumer Charge - No KWH Usage	\$6.70
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Energy Charge:

First 1,000 KWH per Month @	.06787 Per KWH
All Over 1,000 KWH per Month @	.06240 Per KWH

MARKETING RATE PER MONTH:

ETS usage, all KWH per month	0.037434
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SCHEDULE LP
LARGE POWER RATE*

RATES PER MONTH:

Consumer Charge - No KWH Usage	\$11.20	Per Month
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Demand Charge:

Billing Demand per KW per Month	\$6.00
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Plus Energy Charge:

First 3,500 KWH per Month @	\$.04379	Per KWH
Next 6,500 KWH per Month @	\$.04209	Per KWH
Next 140,000 KWH per Month @	\$.03882	Per KWH
Next 150,000 KWH per Month @	\$.03869	Per KWH
Over 300,000 KWH per Month @	\$.03859	Per KWH

SCHEDULE LP-1
LARGE POWER RATE 1 (1,000 KW to 4,999 KW)

RATES PER MONTH:

Consumer Charge:	\$1,136.00	Per Month
Demand Charge:	\$5.71	Per KW of Billing Demand
Energy Charge:	.03337	Per KWH

SCHEDULE LP-2
LARGE POWER RATE 2 (5,000 KW to 9,999 KW)

RATES PER MONTH:

Consumer Charge:	\$1,136.00	Per Month
Demand Charge:	\$5.71	Per KW of Billing Demand
Energy Charge:	.02917	Per KWH for the first 425 KWH per KW of Billing Demand
	.02812	Per KWH for all remaining KWH

SCHEDULE OPS
OPTIONAL POWER SERVICE*

RATES PER MONTH:

Consumer Charge - No KWH Usage	\$11.20	Per Month
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Energy Charge

First 3,500 KWH per Month @	\$.07443	Per KWH
Next 6,500 KWH per Month @	.07175	Per KWH
Next 140,000 KWH per Month @	.06661	Per KWH
Next 150,000 KWH per Month @	.06640	Per KWH
Over 300,000 KWH per Month @	.06625	Per KWH

SCHEDULE STL
STREET LIGHTING SERVICE*

RATE:

Mercury Vapor Bulbs

Up to and including 175 Watts (74 KWH/Light)	\$4.06	Per Month
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Excess of 175 Watts up to and including 400 Watts (162 KWH/Light)	6.49	Per Month
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Sodium Bulbs

Up to and including 150 Watts (63 KWH/Light)	4.06	Per Month
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Excess of 150 Watts up to and including 360 Watts (135 KWH/ Light)	6.49	Per Month
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SCHEDULE OL
OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS*

RATES PER LIGHT PER MONTH:

Mercury Vapor or Sodium 7,000 - 10,000 Lumens		
Metered	4.63	Per Month
Unmetered	5.86	Per Month

SCHEDULE TVB
UNMETERED COMMERCIAL SERVICE*

CLASS AND RATES PER MONTH:

Cable TV Amplifiers - (75 KWH per Month)	\$7.49 Per Month
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*Fuel Clause Adjustment

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.